

Message Text

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ACTION EUR-12

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USMISSION OECD PARIS

USMISSION GENEVA

USDEL MTN GENEVA

AMCONSUL ZURICH

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PASS TREASURY AND FRB

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TAGS: EFIN ECON SZ

SUBJ: SWISS FINANCIAL AND ECONOMIC REPORT: AUGUST 1-7

1. SUMMARY: FOREIGN EXCHANGE MARKET NERVOUS BUT TURNOVER LOW. DOLLAR FLUCTUATED UNDER PRESSURE FROM DM; FRENCH FRANC DROPPED BELOW SF 0.5 FOR FIRST TIME; GOLD UP SLIGHTLY. SWISS EXCHANGE DEALERS PREDICT REVALUATION DM. BANK SOURCES FORESEE LOWER LONG TERM INTEREST RATES DUE MARKET LIQUIDITY. SWISS RECOVERY WILL BE LOW THIS YEAR; MIXED OUTLOOK FOR INVESTMENTS. WHOLESEALE PRICE INDEX END JULY UP 0.5 PERCENT FROM JULY 1975, CONSUMER PRICE INDEX UP 1.5 PERCENT. BANKRUPTCIES INCREASED FIRST 7

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MONTHS 1976 OVER LAST YEAR BUT DOWN SLIGHTLY JULY. NEW

OBLIGATORY UNEMPLOYMENT INSURANCE SYSTEM EXPECTED TO BE IN FORCE APR 1, 1977.

FINANCIAL

2. GOLD AND FOREIGN EXCHANGE: MARKETS NERVOUS BUT VOLUME TURNOVER LOW. GOLD SLIGHTLY HIGHER. DOLLAR SLIPPED FROM PREVIOUS WEEK, ESPECIALLY AT MIDWEEK UNDER PRESSURE FROM DM, BUT FIRMED AS FRENCH FRANC FELL BELOW SF 0.5 FOR FIRST TIME. SWISS NATIONAL BANK DID NOT INTERVENE, APPARENTLY KEYING ON SF/DM RATE; DM UP SLIGHTLY. SWISS EXCHANGE DEALERS FORESEE FRENCH FRANC STABILIZING AT FF 5 TO DOLLAR: SEE DM UNDERVALUED AND EVENTUAL DM REVALUATION SOLE SOLUTION TO PROBLEMS WITHIN SNAKE; MOST LIKELY DEVALUATION OTHER SNAKE CURRENCIES IN RELATION TO DOLLAR WITH DM RETAINING PREVIOUS DOLLAR RATE. OTHER SWISS BELIEVE UNILATERAL DM REVALUATION UNLIKELY BEFORE OCTOBER BUNDESTAG ELECTIONS. RATES FOLLOW:

	8/2 (OPEN)	8/6 (CLOSE)
SPOT DOLLAR	2.4740	2.4790
FORWARD DISCOUNTS (PCT. P.A.)		
ONE MONTH	- 4.32	- 4.84
2 MONTHS	- 4.07	- 4.74
3 MONTHS	- 4.27	- 4.63
6 MONTHS	- 3.91	4.20
12 MONTHS	- 4.00	- 4.13
SF/DM	97.53	97.61
GOLD	111.50	112.5

3. MONEY AND CAPITAL: MARKETS CALM. CALL MONEY RATE 0.5 PERCENT. STOCKS REMAINED STEADY; SKA INDEX (1959 EQUALS 100) 210.2 JULY 6. AVERAGE YIELD CONFEDERATION BONDS 5.06 PERCENT. TAUERNAUTOBAHN AG, SALZBURG, ANNOUNCED PUBLIC BOND ISSUE AUG 10-13 FOR SF 50 MILLION AT 6 PERCENT INTEREST OVER 14 YEARS. BANK SOURCES PREDICT LOWER INTEREST RATES FOR FOREIGN LOANS FLOATED ON SWISS MARKET DUE HIGH LIQUIDITY.

4. SNB JULY STATEMENT ACCOUNT: MAJOR CHANGES IN SNB'S STATEMENT SHOWN BELOW. FOREIGN EXCHANGE HOLDINGS DROPPED DUE INCREASED CONVERSIONS FOR CAPITAL EXPORTS; DECREASED UNCLASSIFIED

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LOMBARD LOANS AND GIR ACCOUNTS BALANCES FROM SNB EFFORT MAINTAIN MONETARY GROWTH RATE TARGETS IN ALREADY HIGHLY LIQUID MARKET.

JULY 31 (CHANGE FROM JUNE 30
(MILLION OF SWISS FRANCS)

ASSETS

GOLD	11,897	-	-
FOREIGN EXCHANGE	14,568	DOWN	1505

ROOSA BONDS	5,403	-	-
DISCOUNTED PAPER	289	UP	17
LOMBARD LOANS	34	DOWN	189
OTHER	1,051	DOWN	290

LIABILITIES

NOTES IN CIRCULATION	17,685	DOWN	393
GIRO ACCOUNTS	7,006	DOWN	3,315
RESERVES (FOREIGN			
LIABILITIES	657	UP	426
OTHER	7,894	UP	1,315
BALANCE SHEET TOTALS	33,242	DOWN	1,967

ECONOMIC

5. ECONOMIC RECOVERY: BANK FERRIER LULLIN AND CO., GENEVA, REPORT ON SWISS ECONOMY FORESEES SLOW RECOVERY THIS YEAR. CAUTIOUS LOUTLOOK BASED PRESENT SATURATION DEMAND FOR CONSUMER DURABLES WHICH NOT EXPECTED RISE ABOVE 1975 LEVEL THIS YEAR. INFLATION PREDICTED NEAR ZERO END 1976 BARRING ABRUPT EXCHANGE RATE CHANGE RAISING IMPORT COSTS; SWISS FRANC PRESENTLY DEEMED OVERVALUED 10 PERCENT. BALANCE OF PAYMENTS SURPLUS SF 5 OR 6 BILLION PREDICTED 1976. CONSUMER DEMAND AND CONSTRUCTION EXPECTED REMAIN DEPRESSED DESPITE GENERAL RECOVERY NEXT YEAR. INVESTMENT OUTLOOK CAUTIOUS; DOMESTIC INDUSTRIES UNATTRACTIVE DUE DEPRESSED CONSUMER DEMAND; EXPORT INDUSTRIES FACE EXCHANGE RATE PROBLEMS. SERVICE INDUSTRIES, ESPECIALLY BANKING AND INSURANCE, BELIEVED BEST PLACED TO ATTRACT INVESTORS; ALSO HIGH TECHNOLOGY EXPORT INDUSTRIES, PARTICULARLY SWISS MNC'S WHOSE PERFORMANCE CLOSELY LINKED TO WORLD RECOVERY.

6. BANKRUPTCIES: JULY SAW 90 PETITITIONS BANKRUPTCY FILED UNCLASSIFIED

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AGAINST 93 JULY 1975. FIRST SEVEN MONTHS 1976 SAW 639 BANKRUPTCIES FILED COMPARED 517 SAME PERIOD LAST YEAR.

7. PRICES: END JULY WHOLESALE PRICE INDEX UP 0.2 PERCENT OVER END JUNE AND 0.5 PERCENT ABOVE JULY 1975, COMPARED ANNUAL INCREASE 3.8 PERCENT JULY 1975. PRICE INCREASES LED BY RAW MATERIALS, AGRICULTURAL GOODS AND TEXTILES. CONSUMER PRICE INDEX END JULY 0.2 PERCENT ABOVE END JUNE AND 1.5 PERCENT OVER JULY 1975 DUE HIGHER FOOD PRICES WHILE HEAT AND LIGHT COSTS DECLINED. JAN-JULY CONSUMER PRICE INDEX INCREASE 2.2 PERCENT COMPARED 8.1 PERCENT SAME PERIOD LAST YEAR.

8. UNEMPLOYMENT INSURANCE: FEDERAL OFFICE OF INDUSTRY, ARTS AND CRAFTS ANNOUNCED NEW OBLIGATORY UNEMPLOYMENT INSURANCE SYSTEM WILL PROBABLY GO INTO EFFECT BEGINNING APR 1, 1977.

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